



# WEINLANDER FITZHUGH

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& CONSULTANTS

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CITY OF EVART - DOWNTOWN DEVELOPMENT AUTHORITY  
EVART, MICHIGAN

67-7507  
FINANCIAL STATEMENTS  
JUNE 30, 2004

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# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

**RECEIVED**  
DEPT. OF TREASURY

DEC 29 2004

LOCAL AUDIT & FINANCE DIV.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>CITY OF EVART - DOWNTOWN DEV. AUTH.</b>	County <b>OSCEOLA</b>
Audit Date <b>6/30/04</b>	Opinion Date <b>11/20/04</b>	Date Accountant Report Submitted to State: <b>12-28-04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASL GU).			✓

Certified Public Accountant (Firm Name) <b>WEINLANDER FITZHUGH</b>			
Street Address <b>601 BEECH STREET</b>	City <b>CLARE</b>	State <b>MI</b>	ZIP <b>48617 48617</b>
Accountant Signature <i>Shanna Lutzman CPA</i>		Date <b>12-28-04</b>	

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## INDEPENDENT AUDITORS' REPORT

November 10, 2004

To the Board of Directors  
City of Evart - Downtown Development Authority  
Evart, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Evart - Downtown Development Authority, Evart, Michigan, a component unit of the City of Evart, Michigan as of and for the year ended June 30, 2004, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Evart - Downtown Development Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Evart - Downtown Development Authority as of June 30, 2004, and the respective changes in financial position thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

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# WEINLANDER FITZHUGH

To the Board of Directors  
City of Evert - Downtown Development Authority  
November 10, 2004  
Page 2

As described in Note 1, the Authority has implemented a new financial reporting model, as required by the provisions of the GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*, as of July 1, 2003.

## **Required Supplemental Information**

The management's discussion and analysis and budgetary comparison listed in the table of contents are not a required part of the basic financial statements but is supplemental information required by U.S. generally accepted accounting principles and the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

## **Combining Financial Statements and Other Supplemental Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Evert - Downtown Development Authority's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Weinlander Fitzhugh*

**CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2004**

Our discussion and analysis of the City of Evart - Downtown Development Authority's (Authority) financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2004.

**Financial Highlights**

The Authority's net assets increased by \$81,412 or 37%. Program revenues were \$256,106 or 58% of total revenues, and general revenues were \$190,910 or 42%.

**Using this Annual Financial Report**

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand City of Evart - Downtown Development Authority financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole Authority, presenting both an aggregate view of the Authority's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For Governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Authority's operations in more detail than the Government-wide financial statements by providing information about the Authority's most significant funds – the General and Capital Project Funds, with all other funds presented in one column as nonmajor funds. Individual fund information for non-major funds is found in statements in a later section of this report. The following summarizes the presentation included in this annual financial report.

**Management's Discussion and Analysis (MD&A) (Required Supplemental Information)**

**Basic Financial Statements**

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to Financial Statements

**Budgetary Information for the General Fund (Required Supplemental Information)**

**Other Supplemental Information**

# CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY

## Management's Discussion and Analysis

For the Year Ended June 30, 2004

### **Reporting the Authority as a Whole**

#### *The Statement of Net Assets and Statement of Activities*

One of the most important questions asked about the Authority's finances is, "Is the Authority better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Authority as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Authority's net assets as a way to measure the Authority's financial position. The change in net assets provides the reader a tool to assist in determining whether the Authority's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base and facility conditions in arriving at their conclusion regarding the overall health of Authority.

### **Reporting the Authority's Most Significant Funds**

#### *Fund Financial Statements*

The Authority's fund financial statements provide detail information about the most significant funds – not the Authority as a whole. Some funds are required to be established by State law. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue.

#### *Governmental Funds*

Most of the Authority's activities are reported in Governmental funds, which focus on how money flows into and out of those funds and the balances remaining at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detail short-term view of the Authority's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the Authority's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

# CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY

## Management's Discussion and Analysis

For the Year Ended June 30, 2004

### Government-wide Financial Analysis

The statement of net assets provides the perspective of the Authority as a whole. Exhibit A provides a summary of the Authority's net assets as of June 30, 2004:

<b>Exhibit A</b>		<b>Governmental Activities</b>
<b>Assets</b>		
Current and other assets		\$ 337,000
Capital assets - net of accumulated depreciation		<u>60,864</u>
Total assets		<u>397,864</u>
<b>Liabilities</b>		
Current liabilities		201,277
Long-term liabilities		<u>335,000</u>
Total liabilities		<u>536,277</u>
<b>Net Assets</b>		
Invested in property and equipment		60,864
Restricted		38,435
Unrestricted		<u>(237,712)</u>
Total net assets		<u>\$ (138,413)</u>

# CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY

## Management's Discussion and Analysis

For the Year Ended June 30, 2004

This analysis focuses on net assets. The Authority's net assets were \$(138,413) at June 30, 2004. Capital assets totaling \$60,864 compares the original costs, less depreciation of the Authority's capital assets.

The \$(237,712) in unrestricted net assets of governmental type activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Authority as a whole are reported in the statement of activities (Exhibit B), which shows the changes in net assets for the year ended June 30, 2004. Since this is the first year the Authority has prepared financial statements following GASB Statement No. 34, revenue and expense comparison to fiscal year 2003 is not available.

<b>Exhibit B</b>		<b>Governmental Activities</b>
<b>Revenue</b>		
Program revenue:		
Grants and contributions		\$ 256,106
General revenue:		
Taxes		178,556
Interest		1,388
Other		<u>10,966</u>
Total revenue		<u>447,016</u>
<b>Function/Program Expenses</b>		
General government		47,146
Community promotion		59,858
Community improvements		230,614
Interest on long-term debt		<u>27,986</u>
Total expenses		<u>365,604</u>
<b>Increase in Net Assets</b>		<u><u>\$ 81,412</u></u>

## CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY

### Management's Discussion and Analysis

For the Year Ended June 30, 2004

As reported in the statement of activities, the cost of all of our *Governmental type* activities this year was \$365,604. Certain activities were partially funded from organizations that subsidized certain programs with grants and contributions. We paid for the remaining "public benefit" portion of our governmental activities with \$178,556 in taxes, \$1,388 in interest and \$10,966 in miscellaneous revenues.

The Authority experienced an increase in net assets of \$81,412. Key reasons for the change in net assets were a decrease in expenditures of the US-10 streetscape project, a decrease in tax judgments and the elimination of the concerts program. The increase will be used for future operations of the Authority. The increase in net assets differs from the change in fund balance and a reconciliation appears in the financial statements.

#### The Authority's Funds

The Authority uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Authority is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Authority's overall financial health.

The Authority's governmental funds reported a combined fund balance of \$128,194, which is above last year's total of \$(126,536). The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2004 and 2003.

	<u>Fund Balance</u> <u>June 30, 2004</u>	<u>Fund Balance</u> <u>June 30, 2003</u>	<u>Increase</u>
General	\$ 89,759	\$ (165,718)	\$ 255,477
Capital project	0	0	0
Debt service	38,435	39,182	(747)
Total	<u>\$ 128,194</u>	<u>\$ (126,536)</u>	<u>\$ 254,730</u>

- Our General Fund increased \$255,477. The increase is mainly due to the issuance of the 2003 general obligation bonds, which were used for in part to reimburse the General Fund for prior year expenditures for the US-10 streetscape project, the elimination of the concert program and a decrease in tax judgments.
- Our Debt Service Funds decreased \$747. The decrease is due the pay-off of the 1994 Downtown Development Bonds.

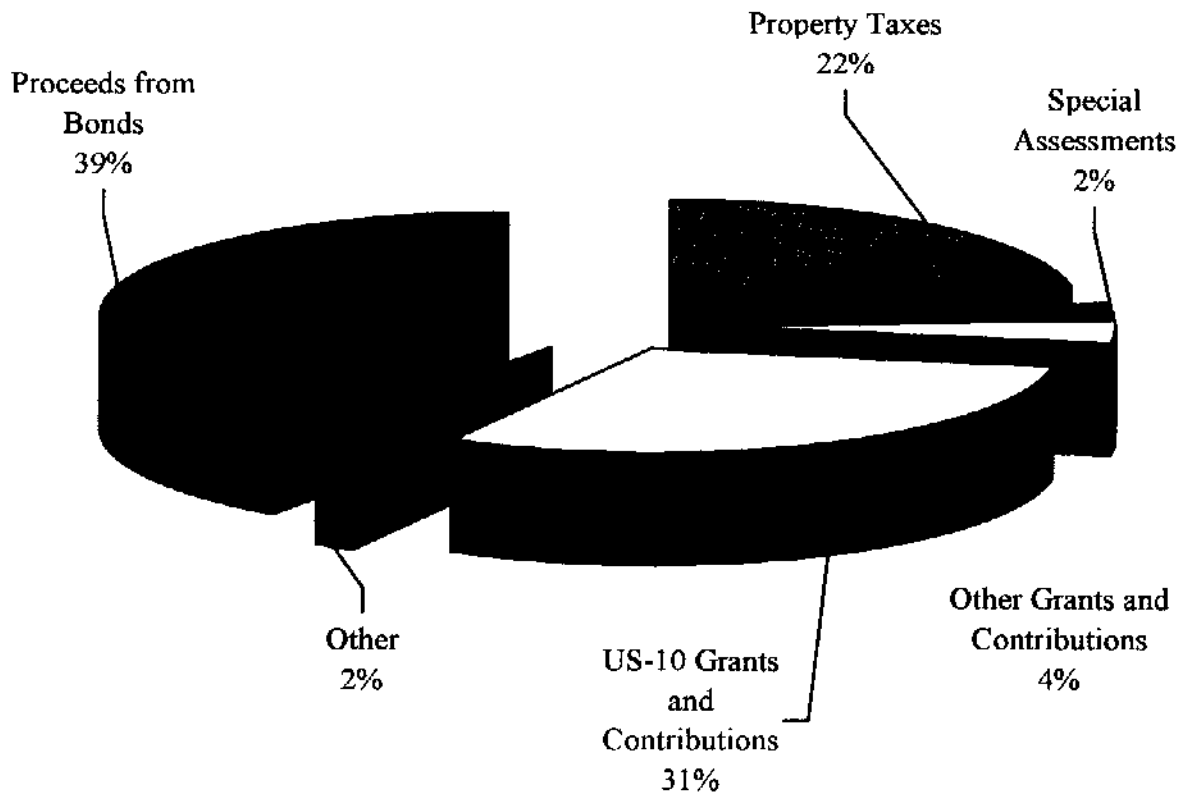
## CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY

### Management's Discussion and Analysis

For the Year Ended June 30, 2004

As the graph below illustrates, the largest portion of the Authority's revenue came from the sale of the 2003 general obligation bonds.

### Sources of Revenues



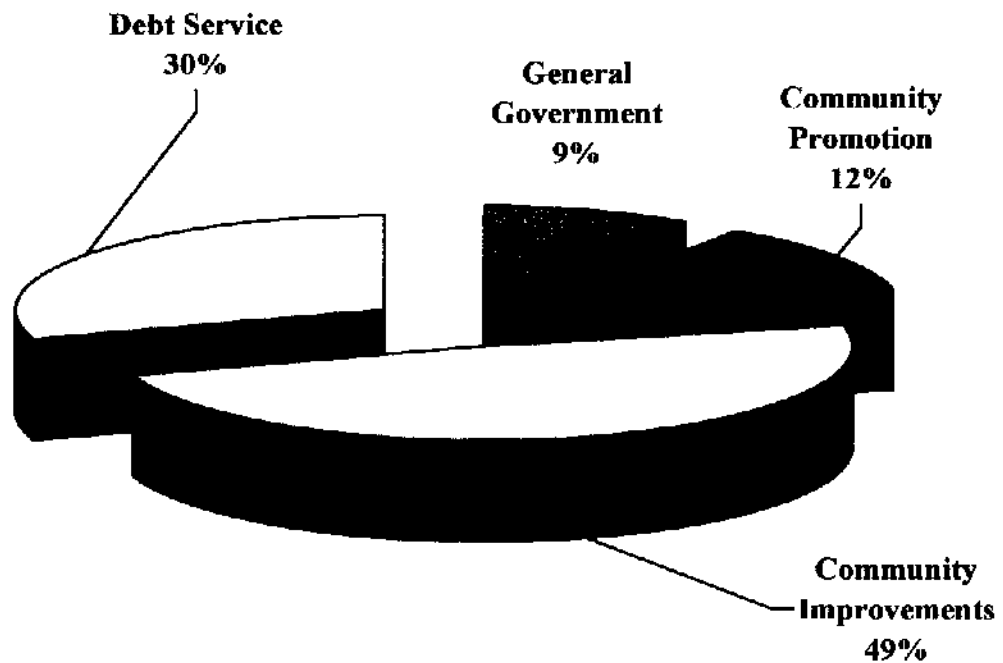
## **CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY**

### **Management's Discussion and Analysis**

**For the Year Ended June 30, 2004**

The graph below illustrates, 49% of the Authority's resources are spent on community improvements. Another 30% is spent on the payment of debt, while 21% is spent for general government and community promotion expenses such as administrative costs, including occupancy costs, and promoting community events.

### **Expenditures**



**CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2004**

The chart below compares current year expenditures with prior year.

	<u>2004</u>	<u>2003</u>
<i>Expenditures by Function</i>		
General government	\$ 44,754	\$ 129,794
Community promotion	59,858	106,576
Community improvements	239,975	389,148
Debt service	<u>147,699</u>	<u>153,955</u>
 Total	 <u>\$ 492,286</u>	 <u>\$ 779,473</u>

Expenditures are down by 287,187 or 36% over the prior year mostly due to decreased spending on community improvements for the US-10 streetscape project as well as professional costs and tax judgments due to the Liberty Dairy settlement and the promotion of community events.

**General Fund Budgetary Highlights**

Over the course of the year, the Authority revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Authority's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

- Budget revenues increased by \$247,817 from the original budget due to the receipt of State funding for the US 10 streetscape project, an increase in the Arts Council grant and the sale of land. These increases were off set by a decrease in property and state education taxes as well as a decrease in Downtown Musical donations.
- Budgeted expenditures increased by \$58,663 from the original budget due to increased spending on the US 10 streetscape project. The increased spending was due to the increased contributions and grants received for the US 10 streetscape project. Administration fees also increased. The increases in budgeted expenditures was off set by a decrease in budgeted capital projects. The final amended budget did not reflect any capital outlay expenditures.
- Budget net other financing sources (uses) decreased by \$42,064. The decrease in transfers to other funds was due the issuance of the 2003 general obligation bonds. The issuance decreased the needs of the capital project fund. The increase was off set by an increase in transfers from other governmental units.

**CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2004**

The differences between the budget and the final actual amounts are as follows:

- Actual revenues were under budgeted revenue by \$126,666. The difference is due to the receipt of fewer grants and contributions such as the US-10 streetscape grants and Downtown Musical contributions. There was also a decrease in the amount of state education taxes expected to be collected.
- Actual expenditures were under the budgeted expenditures by \$94,231. The difference is due to a decrease in community promotion expenditures and a decrease in tax settlement payments. There were also decreases in the costs for the US 10 streetscape project.

**Capital Assets**

At June 30, 2004, the Authority had \$82,100 invested in a broad range of capital assets, including land, buildings, furniture, and equipment. There were no additions to capital assets during the current year.

	<u>2004</u>	<u>2003</u>
Land	\$ 11,100	\$ 11,100
Buildings and improvements	62,000	62,000
Furniture and fixtures	9,000	9,000
Total capital assets	82,100	82,100
Less accumulated depreciation	21,236	18,844
Net capital assets	<u>\$ 60,864</u>	<u>\$ 63,256</u>

We anticipate capital additions will be the purchase of a new printer and other office equipment items during the upcoming fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

**Debt**

At the end of this year, the Authority had \$335,000 in long-term debt outstanding versus \$155,000 in the previous year -- a change of 116%. These long-term debt consisted of the following:

	<u>2004</u>	<u>2003</u>
Bonds	<u>\$ 335,000</u>	<u>\$ 155,000</u>

**CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2004**

The Authority's outstanding general obligation debt of \$275,000 and special assessment debt of \$60,000 is significantly below the statutorily imposed limit.

**Factors Expected to Have an Effect on Future Operations**

We expect to see a decline in property tax revenue next year as the tax base continues to be adjusted downward. We will need to adjust Authority expenditures in response to any revenue shortfall.

**Requests For Information**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the City of Evart - Downtown Development Authority. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City of Evart - Downtown Development Authority  
127 N. River Street  
Evart, MI 49631

**CITY OF EVART - DOWNTOWN DEVELOPMENT AUTHORITY**  
**Statement of Net Assets**  
**June 30, 2004**

	<u>Governmental Activities</u>
<u>Assets</u>	\$ 194,773
Cash and cash equivalents	
Receivables:	37,122
Special assessments	94,951
Due from other governmental units	10,154
Bond issuance costs less accumulated amortization of \$959	60,864
Capital assets less accumulated depreciation of \$21,236	
	<u>397,864</u>
Total assets	
<u>Liabilities</u>	31,095
Accounts payable	37,122
Deferred revenue	31,242
Due to other governmental units	99,846
Due to Local Development Finance Authority	1,972
Accrued interest payable	
Long-term liabilities:	40,000
Due within one year	295,000
Due in more than one year	<u>536,277</u>
Total liabilities	
<u>Net Assets</u>	60,864
Investment in capital assets	38,435
Restricted for debt service	<u>(237,712)</u>
Unrestricted	
	<u>\$ (138,413)</u>
Total net assets	

See accompanying notes to financial statements

CITY OF EVART - DOWNTOWN DEVELOPMENT AUTHORITY  
Statement of Activities  
For the Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenue Operating Grants/ Contributions	Governmental Activities
			Net (Expense) Revenue and Change in Net Assets
Governmental activities:			
General government	\$ 47,146	\$ 0	\$ (47,146)
Community promotion	59,858	27,532	(32,326)
Community improvements	230,614	228,574	(2,040)
Interest on long-term debt	27,986	0	(27,986)
Total governmental activities	<u>\$ 365,604</u>	<u>\$ 256,106</u>	<u>(109,498)</u>
General revenues:			
Taxes:			
Property taxes			163,618
Special assessments			14,938
Interest			1,388
Other			<u>10,966</u>
			<u>190,910</u>
Change in net assets			81,412
Net assets - beginning of year			<u>(219,825)</u>
Net assets - end of year			<u>\$ (138,413)</u>

See accompanying notes to financial statements

# CITY OF EVART - DOWNTOWN DEVELOPMENT AUTHORITY

## Governmental Funds

### Balance Sheet

June 30, 2004

	<u>General</u>	<u>Capital Project Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 156,991	\$ 0	\$ 37,782	\$ 194,773
Receivables:				
Special assessments	0	0	37,122	37,122
Due from other governmental units	94,951	0	0	94,951
Discount on bonds net of amortization	0	0	653	653
<b>Total Assets</b>	<u><u>\$ 251,942</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 75,557</u></u>	<u><u>\$ 327,499</u></u>
<u>Liabilities and Fund Balance</u>				
<u>Liabilities</u>				
Accounts payable	\$ 31,095	\$ 0	\$ 0	\$ 31,095
Deferred revenue	0	0	37,122	37,122
Due to other governmental units	31,242	0	0	31,242
Due to Local Development Finance Authority	99,846	0	0	99,846
<b>Total liabilities</b>	<u>162,183</u>	<u>0</u>	<u>37,122</u>	<u>199,305</u>
<u>Fund Balance</u>				
Reserved for debt service	0	0	38,435	38,435
Unreserved:				
Undesignated	89,759	0	0	89,759
<b>Total fund balance</b>	<u>89,759</u>	<u>0</u>	<u>38,435</u>	<u>128,194</u>
<b>Total Liabilities and Fund Balance</b>	<u><u>\$ 251,942</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 75,557</u></u>	<u><u>\$ 327,499</u></u>

See accompanying notes to financial statements

CITY OF EVART - DOWNTOWN DEVELOPMENT AUTHORITY  
Reconciliation of Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
June 30, 2004

Total fund balance - governmental funds	\$ 128,194
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	82,100
Cost of the capital assets	(21,236)
Accumulated depreciation	(959)
Accumulated amortization	
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	(335,000)
Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds	
Bond issuance costs	10,460
Accrued interest expense is not included as a liability in governmental activities	<u>(1,972)</u>
Total net assets - governmental activities	<u><u>\$ (138,413)</u></u>

See accompanying notes to financial statements

**CITY OF EVART - DOWNTOWN DEVELOPMENT AUTHORITY**  
**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**For the Year Ended June 30, 2004**

	General	Capital Projects Fund	Other Nonmajor Governmental Funds	Totals
<u>Revenues</u>				
Local sources:				
Property taxes	\$ 59,102	\$ 0	\$ 89,187	\$ 148,289
State education taxes	15,329	0	0	15,329
Special assessments	0	0	14,938	14,938
Interest	1,136	0	252	1,388
Downtown Musical donations	9,082	0	0	9,082
Contributions - U.S. 10 Streetscape	146,215	0	0	146,215
Grants - U.S. 10 Streetscape	82,359	0	0	82,359
Arts Council grants	18,450	0	0	18,450
Other	10,966	0	0	10,966
Total revenues	342,639	0	104,377	447,016
<u>Expenditures</u>				
Operating:				
General government	44,754	0	0	44,754
Community promotion	59,858	0	0	59,858
Community improvements	182,629	57,346	0	239,975
Debt service:				
Principal	0	0	120,000	120,000
Interest and fees	0	10,460	17,099	27,559
Bond discount amortization	0	0	140	140
Total expenditures	287,241	67,806	137,239	492,286
Excess (deficiency) of revenues over expenditures	55,398	(67,806)	(32,862)	(45,270)
<u>Other Financing Sources (Uses)</u>				
Operating transfers from other funds	232,378	184	32,115	264,677
Proceeds from sale of bonds	0	300,000	0	300,000
Operating transfers to other funds	(32,299)	(232,378)	0	(264,677)
Total other financing sources (uses)	200,079	67,806	32,115	300,000
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	255,477	0	(747)	254,730
Fund balance - beginning of year	(165,718)	0	39,182	(126,536)
Fund balance - end of year	\$ 89,759	\$ 0	\$ 38,435	\$ 128,194

See accompanying notes to financial statements

**CITY OF EVART - DOWNTOWN DEVELOPMENT AUTHORITY**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2004**

Net change in fund balance - total governmental funds	\$ 254,730
Amounts reported for governmental activities in the statements of activities are different because:	
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Other costs related to debt issuance and retirement use governmental fund resources but recognize them as expenses through amortization on the Statement of Net Assets	(300,000)
Bond proceeds	10,460
Bond issuance costs and fees	120,000
Repayment of bonds	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	(959)
Amortization expense	(2,392)
Depreciation expense	
Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	(427)
Change in net assets of governmental activities	<u>\$ 81,412</u>

See accompanying notes to financial statements

**CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2004**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of Evart - Downtown Development Authority conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Evart - Downtown Development Authority:

**Reporting Entity**

On July 29, 1984, the City Council of the City of Evart, Osceola County, Michigan, established a Downtown Development Authority (Authority) to provide necessary infrastructure services to the downtown area, to create a positive surrounding, and to promote and attract additional business growth within the Downtown Development Authority boundaries. The life of the Authority is thirty years, after which time all assets acquired revert back to the City of Evart. The agreement was amended June 10, 1993, to extend the life of the Authority to the year 2023. The Authority is a component unit of the City of Evart.

The Authority is governed by a nine-member appointed board.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY  
Notes to Financial Statements  
For the Year Ended June 30, 2004

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal period. All other revenue items are considered to be available only when cash is received by the Authority.

The Authority reports the following major governmental funds:

**General Fund** – This fund is the general operating fund of Authority. It is used to account for all financial transaction except those required to be accounted for in another fund.

**Capital Project Fund** – The Capital Project Fund is used to record cost of major construction projects of the Downtown Development Authority. Included are transactions related to the additions and improvements of the U.S. 10 Streetscape.

Additionally, the Authority reports the following fund type:

**Debt Service Fund** – This fund is used to account for the accumulated resources for, and the payment of, general long-term principal, interest and related costs.

**CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2004**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Net Assets or Equity**

Cash and Investments – Cash and investments are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables In general, outstanding balances between funds are reported as “due to/from other funds.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

Capital Assets Capital assets, which include land, buildings, furniture and fixtures are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add value or materially extend asset lives are not capitalized.

Building and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 Years
Building improvements	15 to 20 Years
Furniture and fixtures	5 to 20 Years

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period.

CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY  
Notes to Financial Statements  
For the Year Ended June 30, 2004

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Accounting Change – Effective July 1, 2003, the Authority implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments* (GASB No. 34). Changes to the Authority's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Authority's overall financial position and results of operations has been included.

Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Authority's activities have been provided.

Capital assets in the governmental activities column of the statement of net assets includes assets totaling \$82,100 less accumulated depreciation of \$21,236. In addition, the governmental activities column includes other long-term obligations totaling \$335,000 previously reported in the General Long-term Debt Account Group.

**CITY OF EVART -- DOWNTOWN DEVELOPMENT AUTHORITY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2004**

**NOTE 2 - BUDGETS**

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for the General Fund prior to the expenditure of monies in a fiscal year.

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Authority's Project Consultant submits to the Board a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. Budgeted amounts are as originally adopted, or as amended, by the Board throughout the year. Individual amendments were not material in relation to the original appropriations. Budgets are adopted to the functional level.
3. Appropriations lapse at year end and therefore cancel all encumbrances. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board) for the General Fund is presented as Required Supplemental Information.

CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY  
Notes to Financial Statements  
For the Year Ended June 30, 2004

**NOTE 3 – DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rates within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Authority's deposits are in accordance with statutory authority.

At year-end, the Government's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>
Cash and cash equivalents	<u>\$ 194,773</u>

The Authority had no investments as of June 30, 2004.

The bank balance of the Authority's deposits is \$202,020, of which \$100,000 is covered by federal depository insurance.

**CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2004**

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity of the Authority for the current year was as follows:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2004</u>
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 11,100	\$ 0	\$ 0	\$ 11,100
Capital assets being depreciated:				
Buildings	50,000	0	0	50,000
Building improvements	12,000	0	0	12,000
Furniture and fixtures	9,000	0	0	9,000
Subtotal	71,000	0	0	71,000
Less accumulated depreciation for:				
Buildings	8,750	1,250	0	10,000
Building improvements	2,894	692	0	3,586
Furniture and fixtures	7,200	450	0	7,650
Subtotal	18,844	2,392	0	21,236
Net capital assets being depreciated	52,156	(2,392)	0	49,764
Governmental Activities, Total				
Capital Assets - Net of Depreciation	<u>\$ 63,256</u>	<u>\$ (2,392)</u>	<u>\$ 0</u>	<u>\$ 60,864</u>

Depreciation expense was charged to programs of the Authority as follows:

Governmental Activities:	
General government	\$ 2,392

**CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2004**

**NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS**

A summary of inter-fund transfers in and out balances at June 30, 2004 is as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 232,378	\$ 32,299
Capital project	184	232,378
Debt service	32,115	0
	<u>\$ 264,677</u>	<u>\$ 264,677</u>

There were no inter-fund receivables and payables during the fiscal year. Transfers are used to (1) fund the US-10 streetscape project, (2) reflect funding support for debt service and (3) reflect funding support of the capital project fund

**NOTE 6 – LONG-TERM DEBT**

Long-term debt activity can be summarized as follows:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Retirements and Adjustments</u>	<u>Balance June 30, 2004</u>	<u>Amount Due Within One Year</u>
Bonds	<u>\$ 155,000</u>	<u>\$ 300,000</u>	<u>\$ 120,000</u>	<u>\$ 335,000</u>	<u>\$ 40,000</u>

Bonds payable at June 30, 2004 is comprised of the following issues:

\$150,000 Special Assessment Bonds due in annual installments of \$15,000 through November 1, 2007, interest at 5.0% to 5.5%	\$ 60,000
\$300,000 General Obligation due in annual installments of \$25,000 to \$35,000 through May 1, 2013, interest at of 3.15%	<u>275,000</u>
<b>Total Bonded Debt</b>	<u><b>\$ 335,000</b></u>

**CITY OF EVART -- DOWNTOWN DEVELOPMENT AUTHORITY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2004**

**NOTE 6 -- LONG-TERM DEBT (CONTINUED)**

The annual requirements to amortize bonds outstanding as of June 30, 2004 including interest payments are as follows:

<u>Year End June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 40,000	\$ 11,482	\$ 51,482
2006	45,000	9,908	54,908
2007	45,000	8,161	53,161
2008	45,000	6,398	51,398
2009	30,000	5,040	35,040
2010-2013	130,000	10,553	140,553
Total	<u>\$ 335,000</u>	<u>\$ 51,542</u>	<u>\$ 386,542</u>

**NOTE 7 -- RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to property loss, torts and errors and omissions. The Authority has purchased commercial insurance for claims relating to general liability and property/casualty claims. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

**NOTE 8 -- ECONOMIC DEPENDENCY**

The Authority received approximately 74% of their property tax revenue from one tax payer. Due to the significance of this revenue source to the Authority, the Authority is considered to be economically dependent.

Required Supplementary Information

**CITY OF EVART - DOWNTOWN DEVELOPMENT AUTHORITY**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2004**

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>
<b><u>Revenues</u></b>			
Local sources:			
Property taxes	\$ 97,211	\$ 76,500	\$ 59,102
State education taxes	94,377	82,800	15,329
Interest	1,000	1,100	1,136
Downtown Musical donations	24,000	20,000	9,082
Contributions - U.S. 10 Streetscape	0	261,655	146,215
Grants - U.S. 10 Streetscape	0	0	82,359
Arts Council grants	4,900	16,350	18,450
Other	0	10,900	10,966
Total revenues	<u>221,488</u>	<u>469,305</u>	<u>342,639</u>
<b><u>Expenditures</u></b>			
Operating:			
General government	43,132	93,229	44,754
Community promotion	68,500	66,000	59,858
Community improvements	40,000	222,243	182,629
Capital outlay	171,177	0	0
Total expenditures	<u>322,809</u>	<u>381,472</u>	<u>287,241</u>
Excess (deficiency) of revenues over expenditures	<u>(101,321)</u>	<u>87,833</u>	<u>55,398</u>
<b><u>Other Financing Sources (Uses)</u></b>			
Operating transfers from other funds	0	0	232,378
Transfers from other governmental units	0	11,564	0
Operating transfers out to other funds	(121,495)	(90,995)	(32,299)
Total other financing sources (uses)	<u>(121,495)</u>	<u>(79,431)</u>	<u>200,079</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(222,816)	8,402	255,477
Fund balance - beginning of year	<u>(165,718)</u>	<u>(165,718)</u>	<u>(165,718)</u>
Fund balance - end of year	<u>\$ (388,534)</u>	<u>\$ (157,316)</u>	<u>\$ 89,759</u>

Other Supplementary Information

CITY OF EVART - DOWNTOWN DEVELOPMENT AUTHORITY  
Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2004

	Debt Service Funds					
	2003 General Obligation Bonds	Trowbridge Land Acquisition Bonds	1993 Special Assessment Bonds	1993 Downtown Development Bonds	1994 Downtown Development Bonds	Total
<u>Assets</u>						
Cash and cash equivalents	\$ 1	\$ 7,087	\$ 29,717	\$ 968	\$ 9	\$ 37,782
Special assessments receivable	0	0	37,121	0	1	37,122
Discount on bonds net of amortization	0	0	653	0	0	653
Total Assets	<u>\$ 1</u>	<u>\$ 7,087</u>	<u>\$ 67,491</u>	<u>\$ 968</u>	<u>\$ 10</u>	<u>\$ 75,557</u>
<u>Liabilities and Fund Balance</u>						
<u>Liabilities</u>						
Deferred revenue	\$ 0	\$ 0	\$ 37,122	\$ 0	\$ 0	\$ 37,122
<u>Fund Balance</u>						
Reserved for debt service	1	7,087	30,369	968	10	38,435
Total Liabilities and Fund Balance	<u>\$ 1</u>	<u>\$ 7,087</u>	<u>\$ 67,491</u>	<u>\$ 968</u>	<u>\$ 10</u>	<u>\$ 75,557</u>

**CITY OF EVART - DOWNTOWN DEVELOPMENT AUTHORITY**  
**Other Supplemental Information**  
**Combining Statement of Revenues, Expenditures,**  
**and Changes in Fund Balance - Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2004**

	Debt Service Funds					
	2003 General Obligation Bonds	Trowbridge Land Acquisition Bonds	1993 Special Assessment Bonds	1993 Downtown Development Bonds	1994 Downtown Development Bonds	Total
<b>Revenues</b>						
Local sources:						
Property taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 89,187	\$ 89,187
Special Assessments	0	0	14,938	0	0	14,938
Interest	0	41	172	5	34	252
Total revenues	0	41	15,110	5	89,221	104,377
<b>Expenditures</b>						
Debt service:						
Principal payments	25,000	0	10,000	0	85,000	120,000
Interest and fees	7,114	0	3,990	0	5,995	17,099
Bond discount amortization	0	0	140	0	0	140
Total expenditures	32,114	0	14,130	0	90,995	137,239
Excess (deficiency) of revenues over expenditures	(32,114)	41	980	5	(1,774)	(32,862)
<b>Other Financing Sources</b>						
Operating transfers from other funds	32,115	0	0	0	0	32,115
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	1	41	980	5	(1,774)	(747)
Fund balance - beginning of year	0	7,046	29,389	963	1,784	39,182
Fund balance - end of year	\$ 1	\$ 7,087	\$ 30,369	\$ 968	\$ 10	\$ 38,435

**CITY OF EVART - DOWNTOWN DEVELOPMENT AUTHORITY**  
**Schedule of Bonded Indebtedness**  
**1993 Special Assessment Bonds**  
**For the Year Ended June 30, 2004**

**PURPOSE** The purpose of the 1993 Special Assessment Bonds was for the acquisition, construction and installation of certain water, storm sewer and street reconstruction, parking, sidewalk, street lighting and streetscape improvements.

**DATE OF ISSUE** September 1, 1993

**AMOUNT OF ISSUE** \$150,000

**AMOUNT RETIRED**

During prior years	\$ 80,000	
During current year	10,000	90,000

**BALANCE OUTSTANDING - June 30, 2004** \$ 60,000

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	5.20%	\$ 15,000	\$ 2,820	\$ 17,820
2006	5.30%	15,000	2,033	17,033
2007	5.40%	15,000	1,231	16,231
2008	5.50%	15,000	413	15,413
		\$ 60,000	\$ 6,497	\$ 66,497

CITY OF EVART - DOWNTOWN DEVELOPMENT AUTHORITY  
Schedule of Bonded Indebtedness  
1994 General Obligation Bonds  
For the Year Ended June 30, 2004

PURPOSE The purpose of the 1994 General Obligation Bonds was for paying a portion of the costs for certain public improvements in the Development and Tax Increment Financing Plan of the Downtown Development Authority.

DATE OF ISSUE December 1, 1994

AMOUNT OF ISSUE \$500,000

AMOUNT RETIRED

During prior years	\$ 415,000	
During current year	<u>85,000</u>	<u>500,000</u>

<u>BALANCE OUTSTANDING - June 30, 2004</u>		<u><u>\$ 0</u></u>
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**CITY OF EVART - DOWNTOWN DEVELOPMENT AUTHORITY**  
**Schedule of Bonded Indebtedness**  
**2003 General Obligation Bonds**  
**For the Year Ended June 30, 2004**

**PURPOSE** The purpose of the 2003 general obligation bond is to pay the cost of certain improvements, including the acquisition and construction of streetscape improvements on US-10 and on side streets intersecting the US-10.

**DATE OF ISSUE** July 30, 2003

**AMOUNT OF ISSUE** \$300,000

**AMOUNT RETIRED**

During prior years	\$	0	
During current year		25,000	25,000

**BALANCE OUTSTANDING - June 30, 2004** \$ 275,000

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	3.15%	\$ 25,000	\$ 8,662	\$ 33,662
2006	3.15%	30,000	7,875	37,875
2007	3.15%	30,000	6,930	36,930
2008	3.15%	30,000	5,985	35,985
2009	3.15%	30,000	5,040	35,040
2010	3.15%	30,000	3,623	33,623
2011	3.15%	30,000	1,654	31,654
2012	3.15%	35,000	3,622	38,622
2013	3.15%	35,000	1,654	36,654
		\$ 275,000	\$ 45,045	\$ 320,045



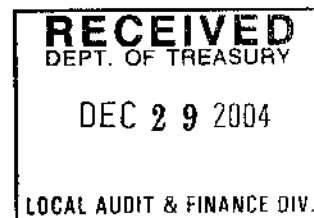
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November 10, 2004



Board of Directors  
City of Ewart - Downtown Development  
Authority  
City of Ewart, Michigan

This letter is intended to inform the Authority Board about significant matters related to the conduct of the annual audit so it can appropriately discharge its oversight responsibility and that we comply with our professional responsibilities to the Authority Board.

The following summarizes various matters which must be communicated to you under U.S. generally accepted auditing standards.

## **The Auditor's Responsibility Under U.S. Generally Accepted Auditing Standards**

Our audit of the financial statements of the Authority for the year ended June 30, 2004 was conducted in accordance with U.S. generally accepted auditing standards. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe our audit accomplished that objective.

## **Management Judgments and Accounting Estimates**

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us they used all the relevant facts available to them at the time to make the best judgments about accounting estimates and we considered this information in the scope of our audit. These estimates are relatively insignificant in relation to the financial statements taken as a whole.

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# WEINLANDER FITZHUGH

Board of Directors  
City of Evert – Downtown Development  
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## **Audit Adjustments**

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Our audit adjustments were not significant.

## **Accounting Policies and Alternative Treatments**

Management and the Authority Board have the ultimate responsibility for the appropriateness of the accounting policies used by the Authority. The significant accounting policies adopted by the Authority are described in Footnote 1 to the financial statements. The Authority adopted several significant Governmental Accounting Standards Board (GASB) Statements in the current year including:

GASB No. 34, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments

GASB No. 37, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments: Omnibus

GASB No. 38, Certain Financial Statement Note Disclosures

GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

## **Disagreements with Management**

We encountered no disagreements with management over the application of significant principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

## **Consultations with Other Accountants**

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

## **Major Issues Discussed with Management Prior to Retention**

No major issues were discussed with management prior to our retention to perform the aforementioned audit.



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## **Difficulties Encountered in Performing the Audit**

We did not encounter any difficulties in dealing with management relating to the performance of the audit.

## **Other Comments**

During our audit we noted that several bond issues were fully paid off. However, the bank accounts associated with the bond issue still had a balance. We recommend that the Project Manager contact the City of Evert Treasurer and request that those bank accounts be closed and a check be issued to the Authority. The Authority would then be required to deposit the funds into the 2003 general obligation bond issue bank account. This will allow the Authority to further invest into the Streetscape Project.

## **Closing**

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the Authority.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be, and should not be, used by anyone other than the specified parties.

*Weinlander Fitzhugh*